# Remarks on Signing the Gramm-Leach-Bliley Act
*November 12, 1999*

Thank you, and good afternoon. I thank you all for coming to the formal ratification of a truly historic event. Senator Gramm and Senator Sarbanes have actually agreed on an important issue. [*Laughter*] Stay right there, John. [*Laughter*] I asked Phil on the way out how bad it's going to hurt him in Texas to be walking out the door with me. [*Laughter*] We decided it was all right today.

Like all those before me, I want to express my gratitude to those principally responsible for the success of this legislation. I thank Secretary Summers and the entire team at Treasury, but especially Under Secretary Gensler, for their work, and Assistant Secretary Linda Robertson. I thank you, Chairman Greenspan, for your constant advocacy of the modernization of our financial system. I thank you, Chairman Levitt, for your continuing concern for investor protections. And I thank the other regulators who are here.

I thank Senator Gramm and Senator Sarbanes, Chairman Leach and Congressman LaFalce, and all the Members of Congress who are here. Senator Dodd told me the Sisyphus story, too, over and over again, but I've rolled so many rocks up so many hills, I had a hard time fully appreciating the significance of it. [*Laughter*]

I do want to thank all the Members here and all those who aren't here. And I'd like to thank two New Yorkers who aren't here who have been mentioned, former Secretary of the Treasury Bob Rubin, who worked very hard on this, and former chairman, Senator Al D'Amato, who talked to me about this often. So this is a day we can celebrate as an American day.

To try to give some meaning to the comments that the previous speakers have made about how we're making a fundamental and historic change in the way we operate our financial institutions, I think it might be worth pointing out that this morning we got some new evidence on the role of new technologies in our economy, which showed that over the past 4 years, productivity has increased by a truly remarkable 2.6 percent. That's about twice the rate of productivity growth the United States experienced in the 1970's and the 1980's. In the last quarter alone, productivity grew at 4.2 percent.

This is not just some aloof statistic that matters only to the Federal Reserve, the Treasury, and Wall Street economists. It is the key to rising paychecks and greater security and opportunity for ordinary Americans. And the combination of rising productivity, more open borders and trade, working to keep down inflation, the dramatic reduction of the deficit and the accumulation of the surplus, and the continued commitment to the investment in the American people, research and development, and new productivity-inducing technologies has given us the most sustained real wage growth in more than two decades, with the lowest inflation in more than three decades.

I can tell you that back in December of 1992, when we were sitting around the table at the Governor's Mansion trying to decide what had to be in this economic program, the economists that I had there—who normally are thought to be—you know, you say, well, they're Democrats; they'll be more optimistic—none of them believed that we could grow the economy for this long with an unemployment rate this low and an inflation rate this low. And it's a real tribute to the American people.

So what you see here, I think, is the most important recent example of our efforts here in Washington to maximize the possibilities of the new information age global economy, while preserving our responsibilities to protect ordinary citizens and to build one nation here. And there will always be competing interests. You heard Senator Gramm characterize this bill as a victory for freedom and free markets. And Congressman LaFalce characterized this bill as a victory for consumer protection. And both of them are right. And I have always believed that one required the other.

It is true that the Glass-Steagall law is no longer appropriate to the economy in which we live. It worked pretty well for the industrial economy, which was highly organized, much more centralized, and much more nationalized than the one in which we operate today. But the world is very different.

Now we have to figure out, what are still the individual and family and business equities that are still involved that need some protections? And the long and often tortured story of this law can be seen as a very stunning specific example of the general challenge that will face lawmakers of both parties, that will face liberals and conservatives, that will face all Americans as we try to make sure that the 21st century economy really works for our country and works for the people who live in it.

So I think you should all be exceedingly proud of yourselves, including being proud of your differences and how you tried to reconcile them. Over the past 7 years, we've tried to modernize the economy, and today what we're doing is modernizing the financial services industry, tearing down these antiquated walls, and granting banks significant new authority.

This will, first of all, save consumers billions of dollars a year through enhanced competition. It will also protect the rights of consumers. It will guarantee that our financial system will continue to meet the needs of underserved communities, something that the Vice President and I tried to do through the empowerment zones, the enterprise communities, the community development financial institutions, but something which has been largely done through the private sector and honoring the Community Reinvestment Act.

The legislation I signed today establishes the principles that as we expand the powers of banks, we will expand the reach of that act. In order to take advantage of the new opportunities created by the law, we must first show a satisfactory record of meeting the needs of all the communities the financial institution serves.

I want to thank Senator Sarbanes and Congressman LaFalce for their leadership on the CRA issue. I want to applaud the literally hundreds of dedicated community groups all around our country that work so hard to make sure the CRA brings more hope and capital to hard-pressed areas.

The bill I signed today also does, as Congressman Leach says, take significant steps to protect the privacy of our financial transactions. It will give consumers, for the very first time, the right to know if their financial institution intends to share their financial data and the right to stop private information from being shared with outside institutions. Like the new medical privacy protections I announced 2 weeks ago, these financial privacy protections have teeth. We granted regulators full enforcement authority and created new penalties to punish abusive practices. But as others have said here, I do not believe that the privacy protections go far enough. I am pleased the act actually instructs the Treasury to study privacy practices in the financial services industry and to recommend further legislative steps. Today I'm directing the National Economic Council to work with Treasury and OMB to complete that study and give us a legislative proposal which the Congress can consider next year. Without restraining the economic potential of new business arrangements, I want to make sure every family has meaningful choices about how their personal information will be shared within corporate conglomerates. We can't allow new opportunities to erode old and fundamental rights.

Despite this concern, I want to say again, this legislation is truly historic. And it indicates what can happen when Republicans and Democrats work together in a spirit of genuine cooperation, when we understand we may not be able to agree on everything, but we can reconcile our differences once we know what the larger issue is: how to maximize the opportunities of the American people in a global information age and still preserve our sense of community and protection for individual rights.

In that same spirit, I hope we will soon complete work on the budget. I hope we will complete work on the work incentives improvement act, to allow disabled people to go to work. And I know Senator Gramm has been working with Senator Roth and Senator Jeffords and Senator Moynihan and Senator Kennedy on that.

There are a lot of things we can do once we recognize we're dealing with a big issue, over which we ought to have some disagreements but where we can come together in constructive and honorable compromise to keep pushing our country into the possibilities of the future.

This is a very good day for the United States. Again I thank all of you for making sure that we have done right by the American people and that we have increased the chances of making the next century an American century. I hope we can continue to focus on the economy and the big questions we will have to deal with revolving around that. I hope we will continue to pay down our debt. I still believe in a global economy. We will maximize the opportunities created by this law if the Government is reducing its debt and its claim on available capital. So I hope very much that that will be part of our strategy in the future.

But today we prove that we could deal with the large issue facing our country and every other advanced economy in the world. If we keep dealing with it in other contexts, the future of our children will be very bright, indeed.

Thank you very much. I'd like to ask all the Members of Congress to come up here while we sign the bill. Thank you.

NOTE: The President spoke at 1:37 p.m. in the Presidential Hall (formerly Room 450) in the Dwight D. Eisenhower Executive Office Building. S. 900, approved November 12, was assigned Public Law No. 106–102.

## Statement on Signing the Gramm-Leach-Bliley Act
*November 12, 1999*

Today I am pleased to sign into law S. 900, the Gramm-Leach-Bliley Act. This historic legislation will modernize our financial services laws, stimulating greater innovation and competition in the financial services industry. America's consumers, our communities, and the economy will reap the benefits of this Act.

Beginning with the introduction of an Administration-sponsored bill in 1997, my Administration has worked vigorously to produce financial services legislation that would not only spur greater competition, but also protect the rights of consumers and guarantee that expanded financial services firms would meet the needs of America's underserved communities. Passage of this legislation by an overwhelming, bipartisan majority of the Congress suggests that we have met that goal.

The Gramm-Leach-Bliley Act makes the most important legislative changes to the structure of the U.S. financial system since the 1930s. Financial services firms will be authorized to conduct a wide range of financial activities, allowing them freedom to innovate in the new economy. The Act repeals provisions of the Glass-Steagall Act that, since the Great Depression, have restricted affiliations between banks and securities firms. It also amends the Bank Holding Company Act to remove restrictions on affiliations between banks and insurance companies. It grants banks significant new authority to conduct most newly authorized activities through financial subsidiaries.

Removal of barriers to competition will enhance the stability of our financial services system. Financial services firms will be able to diversify their product offerings and thus their sources of revenue. They will also be better equipped to compete in global financial markets.

Although the Act grants financial services firms greater latitude to innovate, it also contains important safety and soundness protections. While the Act allows common ownership of banking, securities, and insurance firms, it still requires those activities to be conducted separately within an organization, subject to functional regulation and funding limitations.

Both the Vice President and I have insisted that any financial services modernization legislation must benefit American communities by preserving and strengthening community reinvestment. I am very pleased that the Act accomplishes this goal. The Act establishes an important prospective principle: banking organizations seeking to conduct new nonbanking activities must first demonstrate a satisfactory record of meeting the credit needs of all the communities they serve, including low- and moderate-income communities. Thus, the law will for the first time prohibit expansion into activities such as securities and insurance underwriting unless all of the organization's banks and thrifts maintain a "satisfactory" or better rating under the Community Reinvestment Act (CRA). The CRA will continue to apply to all banks and thrifts, and any application to acquire or merge with a bank or thrift will continue to be reviewed under CRA, with full opportunity for public comment. The bill offers further support for community development in the form of a new Program for Investment in Microentrepreneurs (PRIME), to